

Alexi Giannoulas
ILLINOIS STATE TREASURER

REQUEST FOR INFORMATION

Payment Processing Services

August 21, 2008

Responses due by 2:00 p.m. on September 29, 2008

The Honorable Alexi Giannoulas
Treasurer of the State of Illinois
Attn: Mr. Edward Buckles, Chief Procurement Officer
300 West Jefferson Street
Springfield, IL 62702

**REQUEST FOR INFORMATION FOR
PAYMENT PROCESSING SERVICES
TREASURER OF THE STATE OF ILLINOIS**

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**REQUEST FOR INFORMATION FOR BANKING SERVICES FOR PAYMENT
PROCESSING ACCOUNTS**

TREASURER OF THE STATE OF ILLINOIS

1.0 INTRODUCTION

The Office of the Illinois State Treasurer (Treasurer) is issuing this Request for Information (“RFI”) for the most optimum check clearing services.

Background

Illinois Compiled Statutes, Chapter 15, Section 505/7 states the State Treasurer shall receive the revenues and all other public moneys of the state, and all moneys authorized by law to be paid to him, and safely keep the same. Pursuant to this authority, the Treasurer maintains clearing accounts with Illinois financial institutions. The primary purpose of these accounts is to serve as a clearing system for various forms of payments made to state agencies.

2.0 RFI OBJECTIVES

The Treasurer’s objectives in issuing this RFI are to:

- Establish a depository services agreement with a selected Respondent for acceptance of all banking services defined in this RFI for the Treasurer.

- Solicit information proposals specific to the implementation and support of Payment Processing services including information on new check clearing opportunities such as Image Cash Letter (Check 21), Remote Deposit, Accounts Receivable Conversion (ARC), Back Office Conversion (BOC), etc.
- Provide solutions to the particular requirements of the Treasurer regarding accounting practices and information requirements associated with Banking/Payment Processing Services.
- Establish a relationship with a Respondent that will enable the Treasurer to implement new technology and industry changes to offer comprehensive, integrated solutions to the Treasurer.
- Provide solutions to the particular requirements of the Treasurer regarding Banking/Payment Processing Services requirements.

3.0 BANKING SERVICES OBJECTIVES

The Treasurer has identified the following service needs as the primary objectives to be met by a Depository Services Agreement for Payment Processing Services:

- Achieve operational efficiencies;
- Employ multiple processing solutions
- Expedite funds availability;
- Comply with all federal and state laws and regulations.

Additional requirements are addressed in Section 8.0.

4.0 RFI PROCESS AND SCHEDULE

This section outlines the process and schedule associated with this RFI and the resulting Depository Services Agreement.

4.1 *Response Due Date*

All responses must be submitted, to the address below, no later than 2:00 p.m., September 26, 2008 to:

The Honorable Alexi Giannoulis, Treasurer of the State of Illinois
Attn: Mr. Edward Buckles, Chief Procurement Officer
300 West Jefferson Street
Springfield, IL 62702

4.2 *Mandatory Requirements*

- a. The Respondents must answer all the questions in this RFI relating to the specific services they are seeking to provide to the Treasurer.
- b. The Respondent must be a nationally or Illinois state chartered financial institution. The Respondent must be a member of the Federal Reserve System and have access to all services as a member bank. The Respondent must qualify as a depository for public funds.
- c. The Respondent must provide ratings from two rating agencies. The response must include ratings for senior debt, subordinated debt and long-term deposit.
- d. Responses to this request should set forth the specific manner in which the Respondent will satisfy each requirement noted in this RFI. In addition, the Respondent may include a supplementary narrative describing the general conceptual approach to the delivery of specific services and any other information they believe is relevant.
- e. The Respondent must submit the name, address and telephone number of an individual with authority to answer questions or provide clarification regarding their responses.
- f. The Respondent shall provide a general five-year business plan, which shall include, but not be limited to, projected revenues, projected growth of assets and liabilities and projected growth of equity.
- g. The Respondent must provide a list of previous and current clients or accounts for which they provide banking services which are considered identical or similar in nature to the specifications and requirements described herein.
- h. The Respondent must at the time of this RFI, or prior to that time if required by law, be an established financial institution with all required licenses, bonding, facilities, equipment and trained personnel necessary to perform the work as specified in this RFI. The Treasurer reserves the right to require proof of said requirements within ten calendar days from the date of receipt of the Respondent's response to this RFI.
- i. The Respondent must have five years of experience performing services as described in this RFI. *The proposed process must provide for settlement of transactions at an Illinois financial institution meeting all statutes, policies, procedures and guidelines of the Treasurer.*
- j. Responses must be submitted in a sealed envelope or package bearing the title "State Treasurer Request for Information for Payment Processing

Services” and the Respondent’s name and address. The package must include one (1) original and four (4) copies of the response.

4.3 *Schedule*

The following time schedule applies to this RFI:

August 21, 2008 Thursday	RFI to be published on the Treasurer’s website (www.treasurer.il.gov).
September 5, 2008 Friday	Questions pertaining to the RFI due by 1:00 p.m.
September 10, 2008 Wednesday	Responses to all questions received from the Respondents posted on the website by 4:00 p.m.
September 29, 2008 Monday	Responses to RFI due at 2:00 p.m. and must be mailed or delivered to the following address: Illinois State Treasurer’s Office Attn: Edward Buckles, Chief Procurement Officer 300 West Jefferson Street Springfield, IL 62702

4.4 Office of the State Treasurer Issues RFI

The Treasurer is the sole point of contact concerning this RFI. Questions or requests for clarification about this RFI should be in writing and directed to:

Mr. Edward Buckles
Chief Procurement Officer
Office of the State Treasurer
300 West Jefferson Street
Springfield, IL 62702
Telephone: (217) 782-6540
Fax: (217) 524-3822
E-Mail: ebuckles@treasurer.state.il.us

4.5 Questions about this RFI

Respondents should submit questions about the intent or content of this RFI and request clarification of any and all procedures used for this procurement *prior to the submission of a response*. Respondents must prepare their questions in writing and send them by facsimile or e-mail to the above contact person.

4.6 Internet/E-mail Communications

The Treasurer may also communicate with Respondents via e-mail. Each Respondent should provide an e-mail address with its response to RFI for ease of communication throughout this RFI process.

4.7 Verbal Communications

Any verbal communication from the Treasurer's employees or its contractors concerning this RFI is not binding on the Treasurer, and shall in no way alter a specification, term or condition of this RFI.

4.8 Amendments

If it is necessary to amend this RFI, the Treasurer will post amendments on the Treasurer's web-site.

4.9 Respondent's Costs

The cost of developing a response to this RFI is each Respondent's responsibility and may not be charged to the Treasurer.

4.10 Withdrawal/Modification

A Respondent may, by a letter to the contact person, withdraw or modify a submitted response to RFI prior to the response due date.

4.11 Response to RFI is an Offer

A submitted response to this RFI is a binding offer valid from the proposal opening date until 180 days thereafter.

4.12 Response to RFI is State Property

On the response due date all responses and related material submitted in response to this RFI become the Property of the State of Illinois.

4.13 Chief Procurement Officer May Cancel RFI

If the Chief Procurement Officer determines it is in the Treasurer's best interest, he reserves the right to do any of the following:

- cancel this RFI or;
- modify this RFI as needed.

4.14 Evaluation of Responses to RFI

In order to evaluate all responses, the Treasurer will organize an Evaluation Committee. After opening the responses, the Committee will evaluate the Respondent's qualifications, operation capabilities and price components to effectively develop an RFP for payment processing services.

5.0 RESPONSE FORMAT

All responses must be submitted within the prescribed format to facilitate objective review. Any response that materially deviates from this format will be rejected without further consideration of its content. Responses that contain false or misleading statements or that provide references that do not support an attribute or condition claimed by the Respondent may also be rejected.

5.1 Cover Letter

The response must be accompanied by a transmittal letter that designates the name, address and telephone number of the person or persons available for contact concerning the response and who are authorized to make representations on behalf of the Respondent's organization.

5.2 *General Structure*

- a. Narratives should provide a concise description of capabilities to satisfy the requirements of this RFI. Emphasis should be on clarity, brevity and completeness of response.

5.3 *Table of Contents*

Include a listing of the main chapters and paragraph headings contained in the response, including page numbers.

5.4 *Introduction*

Include any introductory remarks deemed appropriate. Briefly discuss such topics as the Respondent's background, management, facilities, staffing, related experience and financial stability.

5.8 *Functional and Technical Presentation*

Present all aspects and details of the proposed fulfillment of specific functional, technical performance and support requirements as delineated in Section 8.0 of this RFI. For ease of evaluation, please refer to the numbered paragraphs as presented in this RFI. Reference each identified requirement (including paragraph number), indicating that the specified requirement is currently supported, is planned to be supported or will not be supported, with a brief explanation as appropriate.

5.9 *Unique Capabilities*

Provide a summary of any unique expertise, products or services that distinguish your institution.

6.0 **ADMINISTRATIVE REQUIREMENTS**

6.1 *Research and Information Retrieval*

The selected Respondent should provide information concerning the most efficient method of information retrieval and research. The selected Respondent should provide information on research ability including, but not limited to, turnaround time.

6.2 *Customer Service*

This RFI requires that the selected Respondent provide appropriate staffing to meet the customer service needs of the Treasurer including, but not limited to,

adequate level of staffing, direct access to staff, emergency contact phone numbers, etc.

7.0 CURRENT AND PROPOSED TREASURER/AGENCY PROCESSES

This section contains descriptions of various service requirements necessary under this RFI for check processing and clearing of payments on behalf of state agencies. The information you provide in response to these requirements will enable the Treasurer to understand and evaluate your capabilities in accordance with the State's requirements.

Please provide a narrative response to each of the proposed processes by describing:

- The type of service to be provided;
- Hardware, software and training to be provided;
- Frequency and formats of accounting transaction data to be provided;
- Ad hoc look-up and reporting capabilities.

7.1 *Illinois State Treasurer's Office – 300 West Jefferson Street*

Description of Current Process

The Treasurer maintains an office at 300 West Jefferson Street-Lower Level, Springfield, IL where Springfield-based state agencies deliver deposits. The deposits include checks and/or money orders received by the agencies. Deposits are received at the Treasurer's Office throughout the business day from 8:00 a.m. to 4:00 p.m. Monday-Friday excluding state holidays. The Treasurer performs limited due diligence to ensure that a deposit ticket and a detailed item listing accompanies all checks. The Treasurer's Office does not validate the accuracy of the deposit. A copy of the deposit ticket is validated and returned to the agency. The original ticket and checks are batched for pickup by a courier provided by the processing institution. Deposits delivered to Treasurer's Office are posted to the demand deposit account on the current business day with appropriate availability assigned. **The Treasurer currently receives a premium availability schedule for all deposits.** The Treasurer's staff executes a daily wire transfer at approximately 9:30 a.m. and 2:30 p.m. The wire transfer is based on the actual available balance in the account minus a pre-determined amount to cover return items and deposit adjustments. The pre-determined amount will fluctuate during peak processing periods. The wire is transferred to the Treasurer's concentration bank for investment of the funds.

Wire transfers and ACH credits are also accepted as sources of payments made to the Treasurer's accounts for the benefit of state agencies.

The Treasurer requires automatic re-deposit of paper check return items without entry to the demand deposit account. During FY07, the volume of return items was 37,045. The Treasurer is seeking information from Respondents on the automation and electronic collection of return items.

Remittance Volumes (Encoded/Unencoded)

During the period July 1, 2006 through June 30, 2007 (FY07), there were 13,871,002 items processed. Pre-encoded items totaled 8,993,190 and unencoded items totaled 4,878,812. The majority of the encoded volume is in Springfield. In FY07, there were 90,700 deposits credited to the Treasurer's accounts.

Deposit Ticket Capture

The Treasurer assigns a ten-digit clearing account number for each specific account requested by the state agency. Deposit tickets are pre-encoded with the last four digits of the clearing account located in the lower left corner of the MICR line on the ticket. The information on the pre-encoded ticket is captured during processing and reported through the institution's information reporting system. This procedure eliminates the need to manually post deposits to the Treasurer's clearing system. The Treasurer downloads a standard BAI formatted file for importing to the Treasurer's clearing system. There are approximately 300-350 deposit tickets captured and posted on a daily basis.

In addition, there are approximately 92 state agencies and over 500 general ledger accounts. The BAI file information must be available to the Treasurer's Office no later than 8:00 a.m. each business day.

The Treasurer seeks to receive the account activity information for posting direct to the clearing accounts through a direct transmission via Internet or other file protocols which currently is the BAI format.

In addition to the Treasurer's Office deposit site in Springfield, the deposits of the following agencies are couriered to the current financial institution processing centers each business day. Courier services are covered by the current financial institution for agencies in Springfield. Offices located in Chicago and other areas of the state are contracted directly by the agency.

The Treasurer is seeking alternative solutions for the deposit of cash on site at several state offices i.e. Department of Revenue and Secretary of State drivers license facilities throughout the state. The total volume of cash deposits during FY07 was 29,515.

Note: Currently, the Treasurer or the state agency does not pay a fee for deposit tickets formatted with the four digit general ledger number.

7.2 *Illinois Department of Revenue – Willard Ice Building (Spfld) and Thompson Center (Chgo)*

Description of Current Process

The Illinois Department of Revenue (IDOR) maintains an office at 101 West Jefferson Street, Springfield, IL and on the Concourse Level of the James R. Thompson Center, Chicago, IL 62701. All IDOR deposits are pre-encoded. The department uses laser printed MICR deposit tickets for processing remittance batches. A normal batch contains 100 but circumstances may require up to 300 items in a batch. IDOR does not require batch header cards.

Deposits made by IDOR include cash. Average daily cash deposits total \$20,000. Taxpayers are allowed to make tax payments by combining cash and checks. The integrity of the combined check/cash deposit is essential to IDOR processing.

Springfield deposits are delivered by a bonded courier provided by the financial institution to a pick up site daily around 4:00 p.m. IDOR independently sub-contracts a courier to deliver Chicago deposits to processing institution.

Remittance Volumes (Encoded)

Total FY07 remittances for IDOR were 4,344,977 or 31.3% of the total items processed with the Treasurer's financial institution. IDOR requires a financial institution located in Springfield and Chicago. IDOR Springfield remittances totaled 4,221,446 compared to Chicago remittances of 123,531.

Processing Equipment

IDOR's Springfield office currently has 6 Unisys Encode 100's (used daily) and 2 Burroughs S600's (for back up). IDOR uses a Unisys NDP 500 and a Unisys NDP 600 for processing of vouchers and checks.

The Chicago office has 1 Unisys Encode 100 and 3 Burroughs S600's. They currently have no automated remittance processing equipment.

In the near future, IDOR will begin implementation of new equipment for remittance processing. The new equipment is an IBML full page high speed scanner and an OPEX full page scanner. Chicago will also receive an OPEX scanner. This new equipment is not expected to be ready for production until 2009.

7.3 *Office of the Secretary of State (SOS) – Michael J. Howlett Building*

Description of Current Process

The Office of the Secretary of State (SOS) maintains an office located at 2nd and Edwards Street, Springfield, IL. All Springfield SOS deposits are encoded.

The Secretary of State's Office maintains 135 drivers facilities around the State of Illinois. Currently, 49 facilities deposit checks/cash to the Chicago depository institution.

Chicago deposits made by SOS include cash transactions. Average daily cash deposits total \$375,000 with an average volume of xx deposits/day.

SOS independently sub-contracts a courier to deliver metropolitan cities, Chicago and surrounding suburb deposits to the processing institution.

Remittance Volumes (Encoded/Unencoded)

Total remittances for SOS-Springfield were approximately 3,000,000 or 22% of the total items processed with the Treasurer's financial institution.

Processing Equipment

SOS utilizes NCR7766 single pocket proof machines for processing remittances. SOS also processes checks on a Unisys NDP500 processor.

7.4 *Department of Healthcare and Family Services – Child Support – 2200 Churchill Road – Springfield, IL*

Description of Current Process

The Treasurer is required by statute to maintain a separate demand deposit account for the purpose of processing the collection of child support payments. Department of Healthcare and Family Services (IDHFS) maintains an office located at 2200 Churchill Road, Springfield, IL. IDHFS deposits are uncoded.

Wire transfers and ACH credits are also accepted as sources of payment made to the Treasurer's accounts for the benefit of IDHFS.

Springfield deposits are picked up and delivered daily at 11:15 a.m. to current financial institution via courier provided by institution.

7.5 Information Reporting

Treasury Management information reporting will be required by the Respondent. The Treasurer utilizes the Internet for all Treasury Management information reporting related to the following services:

Daily Bank Account Statements (summary and detail)
Previous Day Transactions (summary and detail)
Current Day Transactions (summary and detail)
822 Monthly Account Analysis

The Treasurer requires the ability to search on specific transactions within the information reporting system. For audit controls, the Treasurer requires the ability to produce reports which reflect who initiated and/or confirmed wire transfers.

8.0 QUESTIONS ON NEW PAYMENT PROCESSING INITIATIVES

The Treasurer is seeking proposals to include specifics related to the implementation and support of new check clearing opportunities such as Image Cash Letter, Remote Deposit Capture (RDC), Accounts Receivable Conversion (ARC) and Back Office Conversion (BOC).

Pursuant to these new initiatives, please complete the following questions.

GENERAL

- a. What are your financial institution's core competencies?
- b. How many years has your institution offered payment processing services especially remote deposit capture and other electronic solutions?
- c. How many years has your institution sold image cash letter and remote deposit capture solutions?
- d. How long has your institution been operating image cash letter and remote deposit capture in a live environment?
- e. What percentage of your business is dedicated to Check 21 solutions?
- f. What is your business and product strategy relative to image cash letter and remote deposit capture?
- g. What is the size of your customer base?
- h. How many clients/end users are currently served with Check 21 solutions?
- i. What is the largest client supported?

- j. Does your institution have relationships in place with a third-party software escrow company?
- k. Has your institution ever been threatened by a lawsuit or involved in a lawsuit in which it was alleged that your software or services infringe upon another party's intellectual property rights?

SOFTWARE FUNCTIONALITY

- a. Describe the competitive advantages unique to your products over similar products in the industry.

System Architecture

- a. Is your capture application a thick (PC based) or thin (browser based) application? Do you offer both?

System Administration

- a. Describe the user entitlements system.

Reporting

- a. Does the application provide an operator/transaction activity log?

Risk Management

- a. What authentication structures are supported?

ACH Functionality

- a. Can you process ACH transactions on an outsourced basis?

CAR/LAR and OCR Support

- a. Does your system support courtesy amount recognition and legal amount recognition?

Image Quality Analysis

- a. Is an Image Quality Assurance (IQA) tool integrated into the application?

SECURITY

- a. Do you comply with the current SAS 70 rules on auditing statements?

HARDWARE

- a. What scanner devices are compatible with your solution? Specify thick versus thin client options.

INSTALLATION

- a. What is the average installation period?

SUPPORT, MAINTENANCE, AND UPGRADES

- a. What are the hours that help desk support is available?

9.0 PRICING

Please provide the most recent standard pricing schedule for the proposing institution. This schedule will be held in confidence.